

**SEC19**

**From:** Ted Livingston <ted@kik.com>  
**Sent:** Thursday, May 4, 2017 3:32 PM  
**To:** Kik Board <board@kik.com>  
**Subject:** Kik Board Materials  
**Attach:** Kik Board Meeting Final - May 5 2017.pdf

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Hi All,

Please see the board deck attached. Derek will also be sending out Appendices shortly.

Also, I wanted to share this article on ICOs that came out the other day that I thought would be helpful: <http://versionone.vc/will-initial-coin-offerings-fund-future/>

See you all tomorrow.

Ted

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e: [ted@kik.com](mailto:ted@kik.com)  
k: ted





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By Kik Interactive Inc.

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# Board Meeting – May 5, 2017

Join 9954894055376 at [kik.vidyocloud.com](https://kik.vidyocloud.com) using any of the following options:

- To join from your desktop or mobile device, please click here <https://kik.vidyocloud.com/join/PKYZofzbXL>
- To join from a telephone using VidyoVoice, dial the following number:  
(800) 208-0751x9954894055376



# Agenda

- 1) Administrative
  - Board Approvals Required
  - Update on Legal
- 2) Operational Update
  - Product Process
  - Cryptocurrency
  - Exec Team
- 3) Executive Session

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# Administrative

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# Prior Meeting Minutes

See Appendix #1, 2 & 3

**Approval Required:** Approve board minutes from February 1, 2017, April 19, 2017, and from the Compensation Committee Meeting on April 18, 2017

# Board Approvals for Crypto Advisors

## **CoinFund**

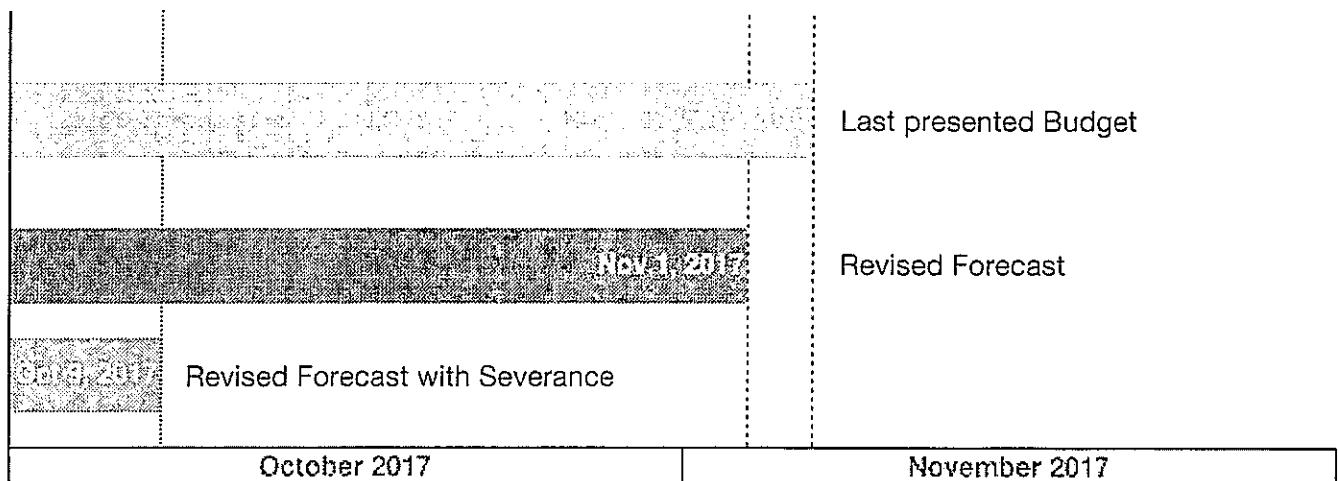
- Workfee of \$ 106,250, which will be netted against contingent payment
- Contingent Payment based on 10 % allocation of sale
  - 1 % of total raise paid in cash
  - 1 % of total raise paid in coin

## **CoinTree**

- Contingent Payment based on 10 % allocation of sale
  - 1 % of total raise paid in cash
  - 1 % of total raise paid in coin

**Approval Required:** A non-exec board member to finalize deals

## Runway – Budget vs. Revised Forecast



## **Litigation & Demands – PRIVILEGED & CONFIDENTIAL**

**Redacted**

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# Future Board Meetings

## Future Board Meetings\*

- Wednesday, August 2, 2017 - Waterloo
- Wednesday, November 1, 2017 - NY
- Wednesday, February 7, 2018 - San Francisco
- Wednesday, May 2, 2018 - Waterloo

## Interim Board Calls (Proposed, TBC)

- Wednesday, June 14, 2017
- Wednesday, September 13, 2017
- Wednesday, December 13, 2017

\*Meetings may take place via Video Conference as needed

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# Operational Update

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# Product Process

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View Page All the Pictures to Build the Working Logos Client  
for Confidentiality

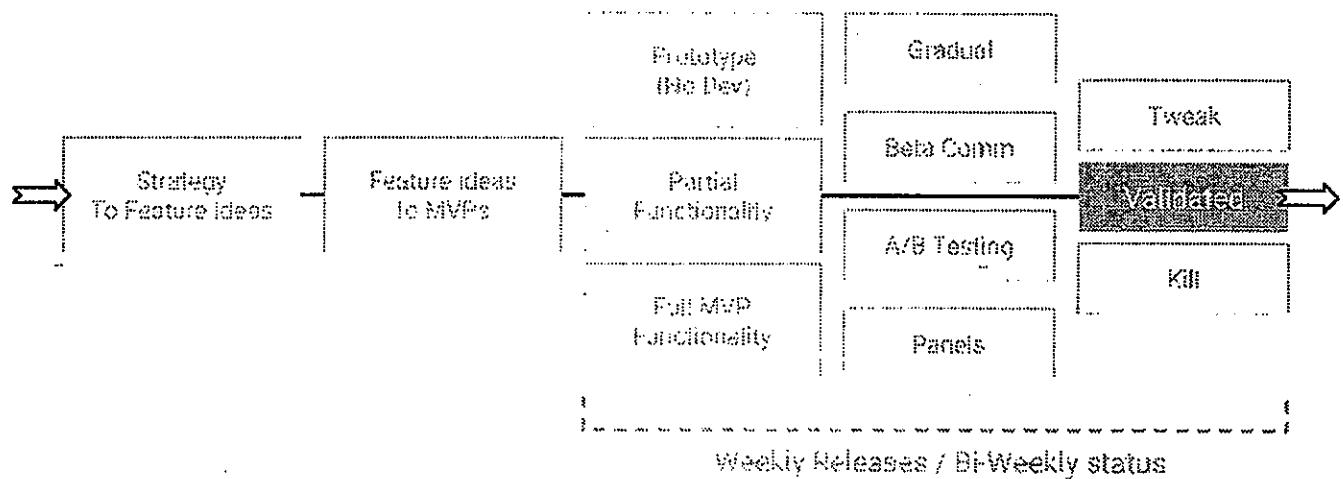


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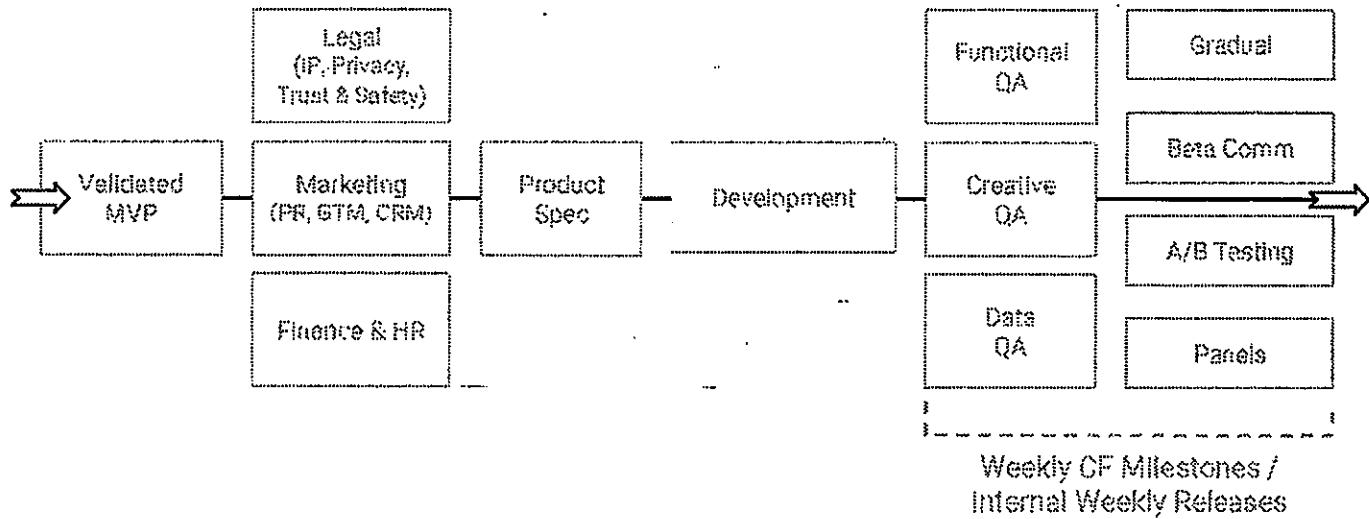
# Short

Objective  
Validated MVP



# Long

Objective  
RIGHT Product



# Cryptocurrency

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# **Vision**

## **A decentralized chat platform that powers daily life**

### **Three Beliefs:**

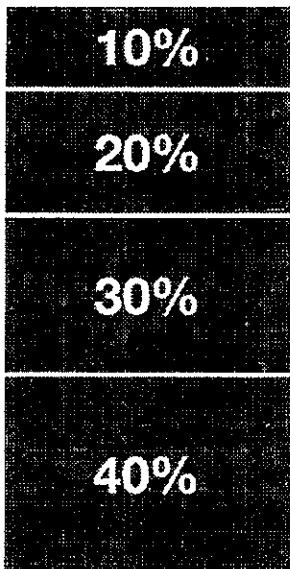
1. Chat will power daily life
2. A platform this important should be decentralized, like the internet
3. We are in a unique position to lead this decentralization

# Key Decisions

- 1 Token Allocation**
- 2 Open Sourcing Kik**
- 3 Risk Tolerance**

# Step 1

## Create a new Cryptocurrency with 10 trillion coins



### Users

- Given away to get the economy going

### Kik

- As a reward for shareholders

### Investors

- 10% sold on day 1, 10% sold after a year, 10% sold after 2 years

### Community Builders

- As a reward for building, growing, and nurturing communities
- 0.001% of remaining reserves given away each hour (\$10K/hour @ \$1B)

## **Step 2**

### **Build an economy inside Kik to give the cryptocurrency value**

#### **Why:**

- Give the cryptocurrency value with a floating market cap

#### **How:**

- Create great experiences for users across our chat community pillars

#### **What:**

- Launch "Kik Points 2.0" inside Kik

## **Step 3**

**Use Kik's source code, user base, and the cryptocurrency to encourage people to build new communities**

### **Why:**

- We can enable and incentivize specific interest communities to build, grow, and monetize their own app for their own community

### **How:**

- Give community owners the tools to build, grow, and monetize their own apps

### **What:**

- Build: open source Kik to make it easy to build your own community
- Grow: advertise those communities inside Kik to users
- Monetize: users show up with spending power
- Monetize: 0.001% of the remaining reserves are given out to the community owners pro rata each hour for their contribution to the overall network (~\$5k/hour at a \$1B market cap)

## **Step 4**

**Decentralize the identity system with the currency serving as the constant**

### **Why:**

- Allow users to seamlessly move between communities, while not relying on a central source for identity (eg Kik)

### **How:**

- Decentralize Kik's identity system

## Risks

- 1 Securities law**
- 2 Accepting funds through token sale**
- 3 Money transmission law**

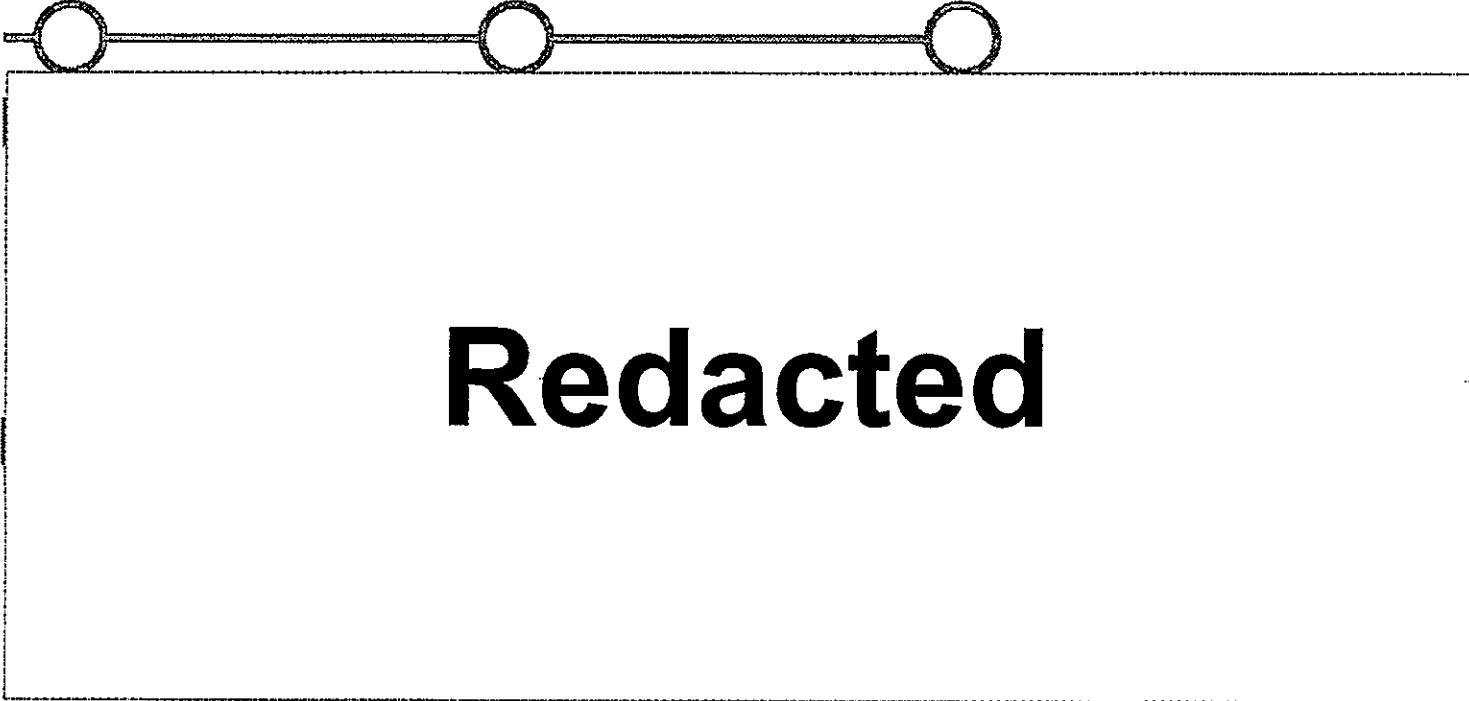
## **Securities Law**

**Redacted**

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## **Risk Assessment for Token Sale**



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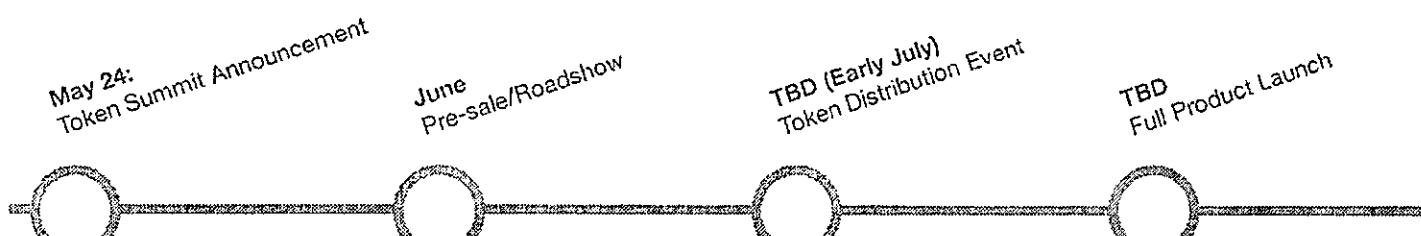
# Money Transmission Law

**Redacted**

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# Timeline



## Deliverables

- Whitepaper	- Investor relations	- Sales portal	- Product integration
- Website landing page	- Management presentation	- Smart contracts	- MSB licenses
- PR/Press	- PR/Press	- Foundation	- Apple approval
	- Legal deliverables	- Functional beta	

## Key Decision Summary

- 1 Are we comfortable with the allocation?**
- 2 Are we comfortable open sourcing Kik?**
- 3 Are we ok with recommended risk?**

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# Executive Realignment

Eran will bring together the execution engine by integrating the product roadmap (what), development (how) and marketing (why, when)

Ted,  
Chief Executive  
Officer

Ted will focus on vision, public relations, strategic partners, thought leadership, board and investor relations

Eran,  
Interim Chief  
Operating Officer

Peter,  
Chief Financial  
Officer

Alim,  
Chief People Officer

Dany,  
President, Kik Israel

Erin,  
Chief Marketing  
Officer

Peter will continue running finance and legal

Alim will continue running HR, Trust & Safety including moderation and privacy

Dany will continue to provide local leadership to the TLV team and may take on greater accountability in our crypto economy

Dave,  
SVP, Engineering

.....

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# Sales Structure

<b>Token Supply</b>	10T Tokens
<b>Float Offered</b>	10%
<b>Tiered Pricing Discounts</b>	30%; \$0-30M (guide toward minimum with large discount) 15%; \$30-50M (smaller tranche to generate continued urgency) 5%; \$50-75M (a larger tranche) 0%; \$75-100M
<b>Soft Cap</b>	\$75M (followed by a 48 hour countdown once reached)
<b>Kill Switch</b>	Optional trigger to end sale post-Soft Cap and before 48 hours
<b>Sale Time</b>	30 days maximum
<b>Minimum</b>	\$20M; otherwise, contract refunds sale proceeds
<b>Distribution</b>	Fixed 10% sold; Token Allocation calculated at end of sale based on proceeds raised and distributed per the example below
<b>Vesting</b>	Time and Performance based for Founder and Consortium tokens

# Administrative Updates

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# Option Grants

## New Employees

Grant Date*	Name	# of Options	Exercise Price*	Vesting Period	Vesting - Start Date
4-May-17	Matthew Enss	3,500	\$10.00	4-Year Cliff	9-Jan-17
4-May-17	Christie Felker	2,000	\$10.00	4-Year Cliff	1-May-17
4-May-17	Bryan Lahartinger	4,800	\$10.00	4-Year Cliff	29-May-17
4-May-17	Emir Hasanbegovic	4,800	\$10.00	4-Year Cliff	17-Apr-17

## Consultant Grants

Grant Date*	Name	# of Options	Exercise Price*	Vesting Period	Vesting - Start Date
4-May-17	Ron Close	1,000	\$10.00	3-Year Cliff	1-Feb-17

Consultant Grant to Ron Close – To be discussed

# Summarized Capitalization Table

	Shares Authorized	Shares Issued and Outstanding	Common Stock Equivalent	Fully Diluted Shares	Fully Diluted Ownership
<b>Common Stock classes</b>					
Common Stock	99,999,999	12,057,500	12,057,500		
<b>Total Common Stock issued and outstanding</b>			<b>12,057,500</b>	<b>12,057,500</b>	<b>48.8023%</b>
<b>Preferred Stock classes</b>					
Class A-1 Preferred Stock	585,529	497,349	497,349		
Series A Preferred Stock	4,000,000	3,699,900	3,699,900		
Series D Preferred Stock	1,178,045	1,178,045	1,178,045		
Series C Preferred Stock	1,651,481	1,651,481	1,651,481		
Series B Preferred Stock	1,779,990	1,779,990	1,779,990		
<b>Total Preferred Stock issued and outstanding</b>			<b>8,806,765</b>	<b>8,806,765</b>	<b>35.6451%</b>
<b>Employee Stock Option Plan</b>	<b>4,809,857</b>				
RSAs board approved					0.0000%
<b>Options and RSUs issued and outstanding</b>			<b>3,201,419</b>	<b>3,201,419</b>	<b>12.9576%</b>
<b>Shares available for issuance under the plan</b>			<b>641,138</b>	<b>641,138</b>	<b>2.5950%</b>
<b>Total fully diluted:</b>				<b>24,706,822</b>	<b>100.0000%</b>

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# Insurance Coverage

- See Appendix #4

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# Financial Updates

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## Financial Highlights

- Cash balance of \$18.42MM at March 31, 2017
- Average monthly burn January to March 2017 decreased to \$2.6MM from \$2.9MM in prior quarter
- Runway adjusted to November 1, 2017

## Budget vs Actual (2017 Q1)

Based on Budget presented November 2016

<b>Cash Received (Balance)</b>	<b>\$24,021,754</b>	<b>\$26,046,436</b>	<b>\$31,064,679</b>	<b>+2%</b>
<b>Rebates</b>				
Reserve	159,079	6	150,000	100% - Non-Refundable Rebate
<b>Total Rebates</b>	<b>\$159,079</b>	<b>\$6</b>	<b>\$150,000</b>	<b>100%</b>
<b>Cost Of Goods Sold</b>				
SGSG - HK Points	11,169,157	6	11,169,157	100% - HK Points used to抵扣SGSG - HK Points
<b>Total Cost Of Goods Sold</b>	<b>\$11,169,157</b>	<b>6</b>	<b>\$11,169,157</b>	<b>100%</b>
<b>Gross Margin</b>	<b>\$1,307,067</b>	<b>\$0</b>	<b>\$1,307,067</b>	<b>+0%</b>
<b>Operating Expenses</b>				
Sales	2,762,012	2,644,119	1,624,107	+1% - Sales costs significantly below budget due to increased low cost due to HK Points
Salaries and Benefits	2,024,712	2,014,882	1,953,576	+0% - Salaries & Benefits vs. budget
				+0% - Benefits vs. budget
Professional Services	394,263	241,847	145,765	+10% - External audit services vs. budget, non-refundable HK Points used to抵扣部分
Office and General	661,157	179,764	105,479	+0% - Office and General overhead costs vs. budget and prior
Investment fees and Consulting	242,142	210,000	165,855	+0% - Investment fees and Consulting costs vs. budget
Software Development	13,407	65,700	167,718	+0% - HK Points due to software dev
Information Technology	11,779	221,000	190,280	+0% - HK Points spent on support and maintenance
Travel, Meals and Entertainment	107,500	105,373	142,125	+0% - travel and meal costs recorded vs. budget travel and HK Points used to抵扣部分
Post Expenses	24,000	10,200	25,257	+0% - Travel and Meal costs recorded vs. budget
<b>Total Operating Expenses</b>	<b>\$1,626,925</b>	<b>\$9,387,173</b>	<b>\$21,161,408</b>	<b>+0%</b>
<b>EBITDA</b>	<b>\$6,492,261</b>	<b>(\$9,387,173)</b>	<b>(\$1,671,095)</b>	<b>+0%</b>
Other Income/Expenses	70,432	92,298	99,487	+0% - HK Points spent on抵扣部分
<b>Net Income</b>	<b>\$6,421,830</b>	<b>\$9,295,893</b>	<b>(\$3,410,747)</b>	<b>+0%</b>
Temporary Differences	822,670	(102,691)	908,831	+0% - Non-Refundable HK Points Provided
<b>Cash, Ending Balance</b>	<b>\$16,059,070</b>	<b>\$15,201,834</b>	<b>\$1,061,236</b>	<b>+0%</b>

See Appendix #5 for full Financial Statements

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## Budget vs Actual (March 2017)

Based on Budget presented March 2017

Item	2019	2018	Change	Comment
Start Operating Balance	\$12,337,144	\$42,130,784	\$0	0%
<b>Revenue</b>	<b>42,144</b>	<b>0</b>	<b>42,144</b>	<b>100%</b> Revenue Reversal of AS3. Points Previews
Total Revenue	42,144	0	42,144	100%
<b>Cost of Goods Sold</b>	<b>(\$2,403)</b>	<b>(\$2,431)</b>	<b>(\$24,429)</b>	<b>(\$2,403)</b> Net cost reversal of Revenue due to Reversal of AS3. Points
Total Cost of Goods Sold	(\$2,403)	(\$2,431)	(\$24,429)	(\$2,403)
<b>Gross Margin</b>	<b>\$39,740</b>	<b>\$39,741</b>	<b>\$0</b>	<b>95%</b>
<b>Operating Expenses</b>	<b>\$27,437</b>	<b>\$24,431</b>	<b>\$3,146</b>	<b>+12%</b> Center costs due to increased 4-Seasons and Annual licensing options to mitigate off-key risks
Salaries and Benefits	13,040,965	13,037,788	(\$13,177)	100% - Reversal of AS3. Points - Actual needs = 131
Facility Expenses	78,430	76,398	(\$1,032)	(\$14)
Office and Admin	101,402	101,330	(\$692)	(\$692) - Reversal of AS3. Points
Professional Fees and Consulting	30,425	11,690	18,735	+163%
3rd Party Licenses and Royalties	6,217	10,000	(\$3,783)	100% - Reversal of AS3. Points
Marketing and Advertising	10,100	14,201	(\$4,101)	70% - Reversal of AS3. Points
Travel, Hotel and Entertainment	7,454	8,205	(\$751)	84% - Reversal of AS3. Points
Entertainment	6,315	10,150	(\$3,835)	100% - Reversal of AS3. Points
Total Operating Expenses	\$2,412,751	\$2,627,386	(\$204,635)	-7%
<b>EBITDA</b>	<b>(\$1,674,610)</b>	<b>(\$2,610,426)</b>	<b>\$925,509</b>	<b>-50%</b>
Other Income & Expenses	402,106	400,600	(\$1,506)	0% - Decreased \$100k in other income related to sales tax reversal Offset by FX loss on CNY realisation due to AS3. Points
<b>Net Income</b>	<b>(\$1,272,505)</b>	<b>(\$2,210,426)</b>	<b>\$924,503</b>	<b>-50%</b>
<b>Temporary Differences</b>	<b>1,378,211</b>	<b>1,690,373</b>	<b>(\$312,162)</b>	<b>(\$312,162)</b> - Reversal of AS3. Points Previews
<b>Cash, Ending Balance</b>	<b>\$16,029,950</b>	<b>\$16,417,037</b>	<b>(\$377,087)</b>	<b>-1%</b>

- See Appendix #5 for full Financial Statements

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By Kik Interactive Inc.

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## Forecast Updates

- Added Crypto expenses expected to incur prior to the TDE
  - Additional expenses expected to incur if successful TDE

**Redacted**

- Server architecture optimization & negotiations resulting in cost savings

# Forecast - CY17

	Calendar C1 FY17	Calendar C2 FY17	Calendar Q3 FY17	Calendar Q4 FY17	Total
<b>Income Statement</b>					
Revenue	\$12,250	\$	\$	\$	\$12,250
Cost of Sales	(\$115,167)	\$	\$	\$	(\$115,167)
Gross Margin	\$1,307,037	\$0	\$0	\$0	\$1,307,037
Operating Expenses					
Salaries	2,768,013	1,921,568	1,774,467	1,435,095	7,928,073
Professional Services	724,759	1,016,493	1,087,132	1,027,456	3,856,740
General & Admin	3,180,149	3,312,043	3,048,859	3,324,437	12,843,439
Other and General	862,192	1,029,876	970,283	969,344	3,831,413
Professional Fees and Consulting	140,742	138,617	131,013	101,513	501,873
Customer Acquisition	15,000	15,000	15,000	15,000	60,000
Marketing	32,000	32,000	32,000	32,000	128,000
Other	157,779	171,472	177,179	182,217	708,477
SG&A, Consulting and Other	3,650	4,016,662	3,969	4,016,662	16,032,974
Administrative and Recreation	103,210	119,639	102,710	103,639	425,580
Travel, Meals and Entertainment	227,100	234,212	234,212	234,212	939,524
Legal Expenses	25,330	30,400	28,670	27,100	111,900
Operating Expenses	\$7,630,505	\$8,297,511	\$7,954,717	\$7,161,103	\$33,942,226
EBITDA	(\$6,322,210)	\$8,207,511	(\$7,494,171)	(\$7,161,103)	(\$6,278,509)
Other Income/Expense					
Interest Income	148,517	50,142	48,113	50,142	286,812
Interest Expense	(23,463)	(32,243)	(31,745)	(32,243)	(125,745)
Other Income/Expense	\$70,055	(\$31,093)	(\$31,745)	(\$31,745)	(\$31,540)
Net Income/(Loss)	(\$6,442,514)	\$8,155,261	(\$7,432,477)	(\$7,161,103)	(\$62,374,118)
<b>Cash Flow</b>					
Cash, Beginning	25,521,737	19,202,740	19,355,875	17,743,379	25,521,737
Operations	6,134,661	17,655,161	17,743,379	17,743,379	64,233,177
Financing	\$	\$	\$	\$	\$
Investments	(2,327)	(1,302)	(1,327)	(1,327)	(6,972)
Cash, Ending	\$16,259,070	\$10,355,873	\$2,353,172	(\$4,743,379)	\$4,753,427
1493: Strategic Reserve	\$	\$1,181,000	\$1,181,000	\$1,181,000	\$1,181,000
Cash, Closing - Adjusted	\$16,260,070	\$8,266,873	\$481,172	(\$6,803,342)	\$50,003,427

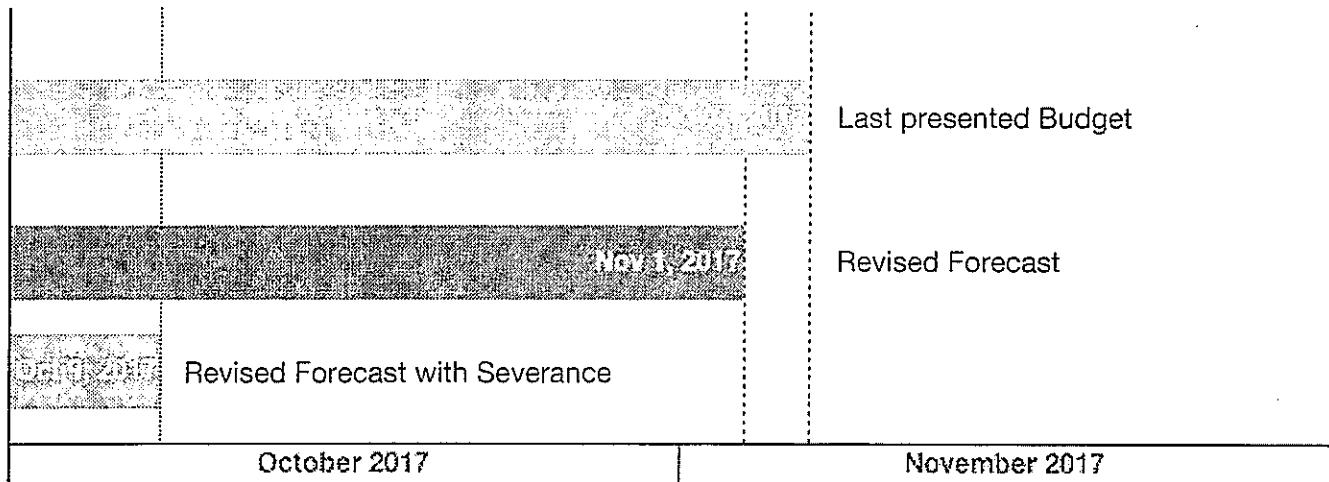
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# Budget vs. Revised Forecast

	Apr-17	Jun-17	Jul-17	Sep-17	Oct-17	Dec-17	9-month Total
<b>Operating Burn</b>							
Revised Forecast	8,098k		7,495k		7,161k		22,753k
Budget (presented in March 2017)	7,735k		7,771k		7,684k		23,190k
<b>Increase in Spend</b>	<b>362k</b>		<b>(276k)</b>		<b>(523k)</b>		<b>(437k)</b>
<b>Key Forecast Changes:</b>							
Cryptocurrency Spend	458k		0k		0k		458k
Legal Spend	32k		56k		91k		180k
Other (travel, consulting, etc.)	37k		29k		37k		103k
Server Savings	(165k)		(362k)		(651k)		(1,178k)
<b>Increased Spend</b>	<b>362k</b>		<b>(276k)</b>		<b>(523k)</b>		<b>(437k)</b>
<b>Cash Balance</b>							
Revised Forecast	10.3mm		2.6mm		(4.7mm)		(4.7mm)
Budget (presented in March 2017)	10.5mm		2.8mm		(4.2mm)		(4.2mm)
<b>Cash - Increase/(Decrease)</b>	<b>(0.1mm)</b>		<b>(0.3mm)</b>		<b>0.5mm</b>		<b>0.5mm</b>

## Runway – Budget vs. Revised Forecast



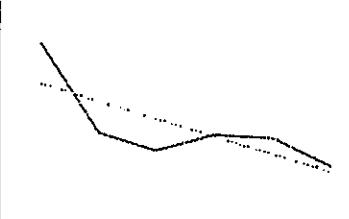
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# Server Expenses

Key server costs trending down:

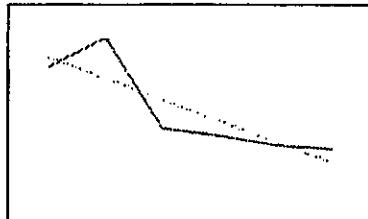
Amazon (AWS)



\*Nov-15 - Apr-17

- Significant optimizations in hosting costs associated with core messenger
- Offset by increased data consumption
- Monthly costs projected to be below budget by 7.5% based on current architecture

Google Cloud



\*Nov-16 - Apr-17

- Optimized hosting costs associated with bot platform
- Further savings realized due to sunsetting of Kik Points
- Monthly costs projected to be below budget by 25% based on current architecture

## Server Expenses (cont.)

### Rackspace Migration

- Assessing a “lift and shift” strategy with two key vendors (Amazon/Google)
- Expect to receive a formal proposal from both vendors before end of May
- Opportunity for \$820k (\$520k recurring, \$300k non-recurring) in annual savings based on preliminary discussions with Amazon based on multi-year commitment
- Savings to be realized Nov-17 onwards
- Expect more aggressive pricing from Google as Kik could be a strategic partner going forward

# Crypto Costs - Pre TDE

Project	Jan 17	May 17	Jun 17	Total
Penetration Testing	0	0	100,000	100,000- Testing to evaluate Kik's vulnerability to external attackers
Coinfund Consulting	44,000	31,000	31,000	106,000- Strategic advisory
KPMG - Advisory Fees (tax, structure, etc.)	0	10,000	15,000	25,000- Advisory fees related to (i) taxation and (ii) structure
Zeppelin - Security Audits	0	0	30,000	30,000- Report on Kik's Smart Contracts from a security perspective
Zeppelin - Platform Integration	0	0	10,000	10,000- Fundraiser platform to facilitate crowdsale
Zeppelin - Escrow	0	0	2,000	2,000- Key management services
Travel - Roadshow	0	29,850	29,850	59,700- Peter/Ted travel for 1.5 months during Roadshow
Marketing Contingency	0	62,500	62,500	125,000- Promotion and PR related to ICO
<b>Subtotal</b>	<b>\$44,000</b>	<b>\$133,350</b>	<b>\$280,350</b>	<b>\$457,700</b>

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## Crypto Costs - Run the Foundation & MSB

Run the Foundation & MSB	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Security - SOC2 Report	0	0	260,000	0	0	0	0	0	0	0	0	260,000
Money Service Broker (Fees) - Set-up Fees	50,000	50,000	200,000	200,000	0	0	0	0	0	0	0	500,000
Money Service Broker (Fees) - Regulatory	0	0	150,000	0	0	0	0	0	0	0	0	150,000
Zepplin - Escrow	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Incremental Hires - Salaries/Benefits	46,551	80,785	100,119	125,886	136,053	133,660	133,660	133,660	133,660	133,660	133,660	625,057
<b>Subtotal</b>	<b>\$95,551</b>	<b>\$132,785</b>	<b>\$705,119</b>	<b>\$327,886</b>	<b>\$138,053</b>	<b>\$135,660</b>	<b>\$135,660</b>	<b>\$135,660</b>	<b>\$135,660</b>	<b>\$135,660</b>	<b>\$135,660</b>	<b>\$1,535,057</b>

- Projected annual burn (full run rate) = 2.06MM
  - Level of funding required to sustain the Foundation/Trust
  - 80% of costs related to headcount
  - 20% of costs related to recurring regulatory items
- Assessing options to fund the entity; potential to leverage consortium members
- 11 heads required to run the entity independently of Kik

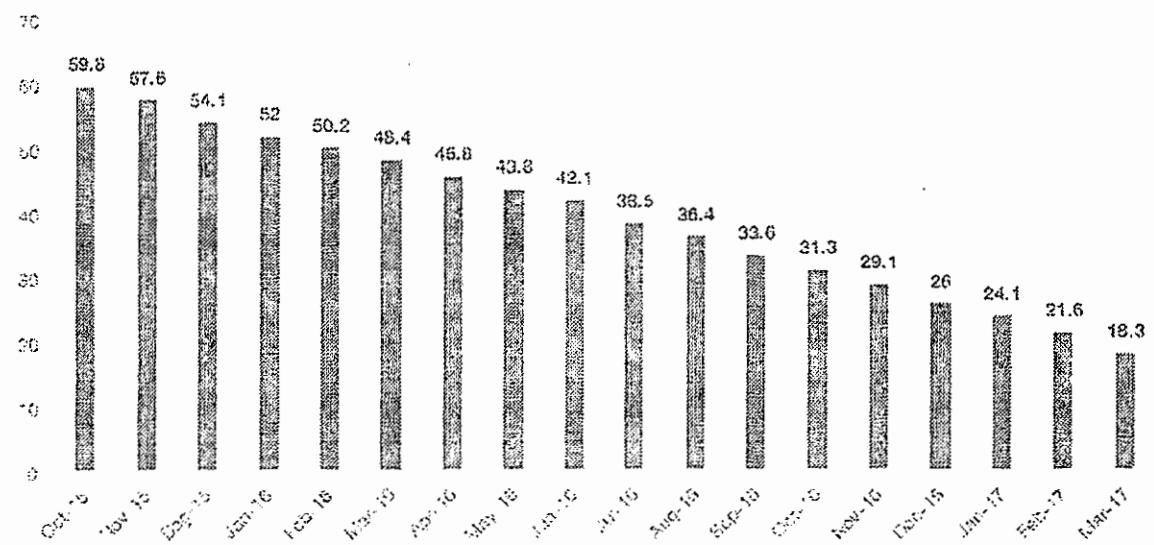
## Legal Costs

**Redacted**

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KIK\_00106832

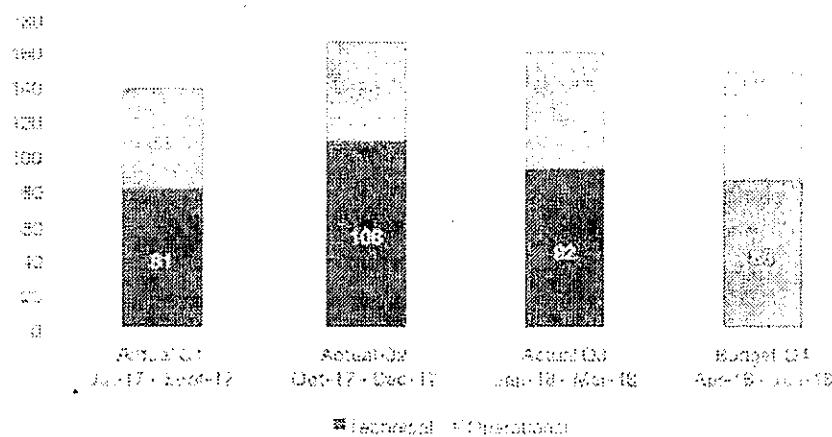
## Cash Balance (MM)



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# Headcount



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## Condensed Cash Flow

Actual Cash - January 1, 2017	\$25,52
Cash Flow from Operations	(7.20)
Cash Flow from Financing	0.00
Cash Flow used in Capital Investments	(0.05)